

AMENDED IN SENATE MARCH 29, 2011

AMENDED IN SENATE MARCH 14, 2011

**SENATE BILL**

**No. 142**

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**Introduced by Senator Rubio**

January 31, 2011

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An act to amend Section 739.1 of, and to repeal and add Section 739.9 of, the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

SB 142, as amended, Rubio. Electrical rates.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. Existing law requires the commission to designate a baseline quantity of electricity and gas necessary for a significant portion of the reasonable energy needs of the average residential customer, and requires that electrical and gas corporations file rates and charges, to be approved by the commission, providing baseline rates. Existing law requires the commission, in establishing the baseline rates, to avoid excessive rate increases for residential customers. Existing law requires the commission to establish a program of assistance to low-income electric and gas customers, referred to as the California Alternate Rates for Energy (CARE) program.

Existing law revises certain prohibitions upon raising residential electrical rates adopted during the energy crisis of 2000–01, to authorize the commission to increase the rates charged residential customers for electricity usage up to 130% of the baseline quantities by the annual percentage change in the Consumer Price Index from the prior year

plus 1%, but not less than 3% and not more than 5% per year. Existing law additionally authorizes the commission to increase the rates in effect for CARE program participants for electricity usage up to 130% of baseline quantities by the annual percentage increase in benefits under the CalWORKs program, as defined, not to exceed 3%, and subject to the limitation that the CARE rates not exceed 80% of the corresponding rates charged to residential customers not participating in the CARE program.

This bill would repeal the existing authority of the commission to increase the rates charged residential customers for electricity usage up to 130% of the baseline quantities by the annual percentage change in the Consumer Price Index from the prior year plus 1%, but not less than 3% and not more than 5% per year. The bill would require that the commission, by June 1, 2012, adjust the rates currently charged customers for electricity usage in order to, over an appropriate transition period, eliminate by no later than January 1, 2015, the current tiered residential electricity rates and adopt new rates pursuant certain ratepayer fairness and equity principles. The bill would authorize the commission to increase the rates in effect for CARE program participants subject to the limitation that the CARE rates not exceed 80% of the corresponding rates charged to residential customers not participating in the CARE program, to be phased in, *over 3 years*, as determined by the commission, in order to moderate the impact on CARE program participants.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 739.1 of the Public Utilities Code is
- 2 amended to read:
- 3 739.1. (a) As used in this section, the following terms have
- 4 the following meanings:
- 5 (1) "Baseline quantity" has the same meaning as defined in
- 6 Section 739.
- 7 (2) "California Solar Initiative" means the program providing
- 8 ratepayer funded incentives for eligible solar energy systems
- 9 adopted by the commission in Decision 05-12-044 and Decision
- 10 06-01-024, as modified by Article 1 (commencing with Section

2851) of Chapter 9 of Part 2 and Chapter 8.8 (commencing with Section 25780) of Division 15 of the Public Resources Code.

(3) “Public goods charge” means the nonbypassable separate rate component imposed pursuant to Article 7 (commencing with Section 381) of Chapter 2.3 and the nonbypassable system benefits charge imposed pursuant to the Reliable Electric Service Investments Act (Article 15 (commencing with Section 399) of Chapter 2.3).

(b) (1) The commission shall establish a program of assistance to low-income electric and gas customers with annual household incomes that are no greater than 200 percent of the federal poverty guideline levels, the cost of which shall not be borne solely by any single class of customer. The program shall be referred to as the California Alternate Rates for Energy or CARE program. The commission shall ensure that the level of discount for low-income electric and gas customers correctly reflects the level of need.

(2) The commission may, subject to the limitation in paragraph (4), increase the rates in effect for CARE program participants for electricity usage.

(3) Beginning January 1, 2019, the commission may, subject to the limitation in paragraph (4), establish rates for CARE program participants pursuant to this section and Sections 739 and 739.9, subject to both of the following:

(A) The requirements of subdivision (b) of Section 382 that the commission ensure that low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures.

(B) The requirement that the level of the discount for low-income electricity and gas ratepayers correctly reflects the level of need as determined by the needs assessment conducted pursuant to subdivision (d) of Section 382.

(4) Tier 1, tier 2, and tier 3 CARE rates shall not exceed 80 percent of the corresponding tier 1, tier 2, and tier 3 rates charged to residential customers not participating in the CARE program, excluding any Department of Water Resources bond charge imposed pursuant to Division 27 (commencing with Section 80000) of the Water Code, the CARE surcharge portion of the public goods charge, any charge imposed pursuant to the California Solar Initiative, and any charge imposed to fund any other program that exempts CARE participants from paying the charge.

1 (5) Rates charged to CARE program participants shall not have  
2 more than three tiers. An electrical corporation that does not have  
3 a tier 3 CARE rate may introduce a tier 3 CARE rate that, in order  
4 to moderate the impact on program participants, shall be phased  
5 in, *over a three-year period*, to 80 percent of the corresponding  
6 rates charged to residential customers not participating in the  
7 CARE program, excluding any Department of Water Resources  
8 bond charge imposed pursuant to Division 27 (commencing with  
9 Section 80000) of the Water Code, the CARE surcharge portion  
10 of the public goods charge, any charge imposed pursuant to the  
11 California Solar Initiative, and any other charge imposed to fund  
12 a program that exempts CARE participants from paying the charge.  
13 For an electrical corporation that does not have a tier 3 CARE rate  
14 that introduces a tier 3 CARE rate, the initial rate shall be no more  
15 than 150 percent of the CARE baseline rate. ~~Any additional~~  
16 ~~revenues collected by an electrical corporation resulting from the~~  
17 ~~adoption of a tier 3 CARE rate shall, until the utility's next periodic~~  
18 ~~general rate case review of cost allocation and rate design, be~~  
19 ~~credited to reduce rates of residential ratepayers not participating~~  
20 ~~in the CARE program. rate.~~

21 (c) The commission shall work with the electrical corporations  
22 and gas corporations to establish penetration goals. The  
23 commission shall authorize recovery of all administrative costs  
24 associated with the implementation of the CARE program that the  
25 commission determines to be reasonable, through a balancing  
26 account mechanism. Administrative costs shall include, but are  
27 not limited to, outreach, marketing, regulatory compliance,  
28 certification and verification, billing, measurement and evaluation,  
29 and capital improvements and upgrades to communications and  
30 processing equipment.

31 (d) The commission shall examine methods to improve CARE  
32 enrollment and participation. This examination shall include, but  
33 need not be limited to, comparing information from CARE and  
34 the Universal Lifeline Telephone Service (ULTS) to determine  
35 the most effective means of utilizing that information to increase  
36 CARE enrollment, automatic enrollment of ULTS customers who  
37 are eligible for the CARE program, customer privacy issues, and  
38 alternative mechanisms for outreach to potential enrollees. The  
39 commission shall ensure that a customer consents prior to  
40 enrollment. The commission shall consult with interested parties,

1 including ULTS providers, to develop the best methods of  
2 informing ULTS customers about other available low-income  
3 programs, as well as the best mechanism for telephone providers  
4 to recover reasonable costs incurred pursuant to this section.

5 (e) (1) The commission shall improve the CARE application  
6 process by cooperating with other entities and representatives of  
7 California government, including the California Health and Human  
8 Services Agency and the Secretary of California Health and Human  
9 Services, to ensure that all gas and electric customers eligible for  
10 public assistance programs in California that reside within the  
11 service territory of an electrical corporation or gas corporation,  
12 are enrolled in the CARE program. To the extent practicable, the  
13 commission shall develop a CARE application process using the  
14 existing ULTS application process as a model. The commission  
15 shall work with public utility electrical and gas corporations and  
16 the Low-Income Oversight Board established in Section 382.1 to  
17 meet the low-income objectives in this section.

18 (2) The commission shall ensure that an electrical corporation  
19 or gas corporation with a commission-approved program to provide  
20 discounts based upon economic need in addition to the CARE  
21 program, including a Family Electric Rate Assistance program,  
22 utilize a single application form, to enable an applicant to  
23 alternatively apply for any assistance program for which the  
24 applicant may be eligible. It is the intent of the Legislature to allow  
25 applicants under one program, that may not be eligible under that  
26 program, but that may be eligible under an alternative assistance  
27 program based upon economic need, to complete a single  
28 application for any commission-approved assistance program  
29 offered by the public utility.

30 (f) The commission-supervised utility programs for providing  
31 assistance to low-income electric and gas customers shall, as soon  
32 as practicable, include nonprofit group living facilities specified  
33 by the commission, if the commission finds that the residents in  
34 these facilities substantially meet the commission's low-income  
35 eligibility requirements and there is a feasible process for certifying  
36 that the assistance shall be used for the direct benefit, such as  
37 improved quality of care or improved food service, of the  
38 low-income residents in the facilities. The commission shall  
39 authorize utilities to offer discounts to eligible facilities licensed  
40 or permitted by appropriate state or local agencies, and to facilities,

1 including women's shelters, hospices, and homeless shelters, that  
2 may not have a license or permit but provide other proof  
3 satisfactory to the utility that they are eligible to participate in the  
4 program.

5 (g) It is the intent of the Legislature that the commission ensure  
6 CARE program participants are afforded the lowest possible  
7 electric and gas rates and, to the extent possible, are exempt from  
8 additional surcharges attributable to the energy crisis of 2000–01.

9 SEC. 2. Section 739.9 of the Public Utilities Code is repealed.

10 SEC. 3. Section 739.9 is added to the Public Utilities Code, to  
11 read:

12 739.9. (a) By June 1, 2012, the commission shall adjust the  
13 rates currently charged customers for electricity usage in order to,  
14 over an appropriate transition period, eliminate by no later than  
15 January 1, 2015, the current tiered residential electricity rates  
16 pursuant to the following ratepayer fairness and equity principles:

17 (1) The current tiers of electric rates charged customers, and  
18 the baseline usage and other factors used to set those rates, are  
19 unfair and inequitable and must be revised to fairly and equitably  
20 reflect the actual cost of serving those customers.

21 (2) The current tiers of electric rates charged customers, and  
22 the baseline usage and other factors used to set those rates, are  
23 unfair and inequitable and must be revised to fairly and equitably  
24 reflect differences in climate and other factors that are outside the  
25 control of a customer.

26 (3) The current tiers of electric rates charged customers, and  
27 the baseline usage and other factors used to set those rates, are  
28 unfair and inequitable and must be revised to fairly and equitably  
29 provide appropriate and effective incentives to all customers to  
30 conserve and manage their energy usage and demand equally  
31 within a given class.

32 (b) The commission may, pursuant to Section 1701.1, determine  
33 the appropriate type of proceeding to utilize in implementing  
34 subdivision (a), and determine whether to open a new proceeding  
35 or expand the scope of an existing proceeding. The proceeding  
36 shall require a hearing.

37 (c) Upon the adoption of a decision, the commission shall report  
38 its determination and the change to rates pursuant to subdivision  
39 (a) to the Legislature. The report shall be submitted in compliance  
40 with Section 9795 of the Government Code. Pursuant to Section

- 1 10231.5 of the Government Code, this subdivision is inoperative
- 2 on January 1, 2016.

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